

# Farm Credit East and the Cranberry Industry

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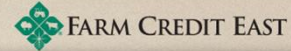
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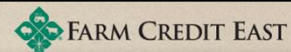
## Overview

- Farm Credit East & the Cranberry Industry
- Cost of Production Study
- Financing the Cranberry Industry



## Farm Credit East and the Cranberry Industry

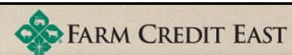
- The Middleborough branch serves the Massachusetts cranberry industry.
- **Our client base owns and operates 8,000 acres of cranberry bog, or 64% of the bog in Massachusetts**
- We lend to a total of 135 operations for a total of \$114 million of volume.
- Other lenders Rockland Trust, Cape Cod 5 and USDA's Farm Service Agency finance a total of 98 growers at over \$54 million of volume.



## Massachusetts Cost of Production Study

### History & Purpose

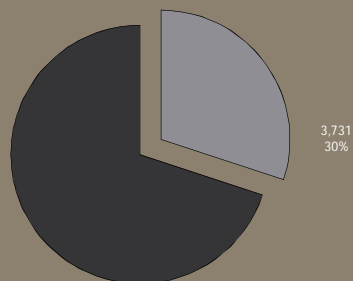
Farm Credit East has been producing a Cost of Production study for Massachusetts cranberry growers since 1990. The goal has been to provide meaningful data to growers to measure efficiency, evaluate spending decisions, improve profitability and plan for the future.



## Cost of Production Study Response Rate and Farm Size

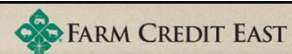
### Coverage of Growers

Participation as % of  
Total MA Cranberry Acreage



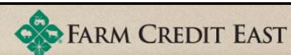
### Size of Farms

FARM SIZE (QUARTILES)	
Smallest 25%	< 23 Acres
25% - 50%	24 to 44 Acres
50% - 75%	44 to 137 Acres
Largest 25%	> 137 Acres



## Cost of Production Study Limitations

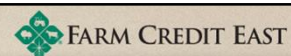
- Small sample size
- Limits to data retrieved from tax returns
- Value of owner labor



## Highlights of 2014 Cost of Production Study

- The cost of producing cranberries in Massachusetts averaged:
  - **\$5,677 / acre**, a decrease of 9% from the 2013 cost of **\$6,198 / acre**
  - **\$30.62 / bbl**, a decrease of 13% from the 2013 cost of **\$34.88 / bbl**
- The average price received for cranberries in Massachusetts:
  - **\$37.08 / bbl**, an increase of 18% from the 2013 price of **\$31.60 / bbl**\*

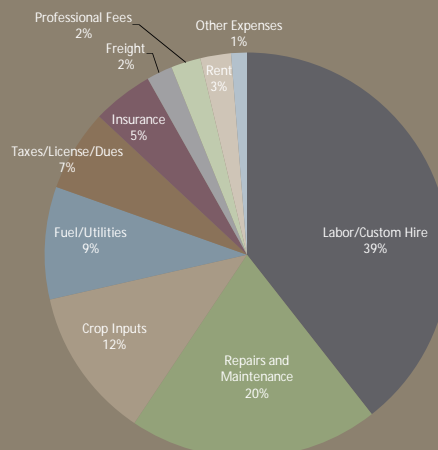
\*Prices based on USDA National Agricultural Statistics Survey

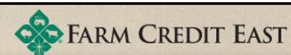


## Summary of Itemized Expenses

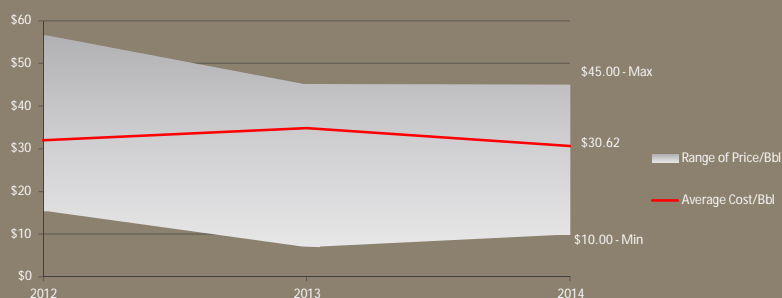
### Top three expense categories:

1. Labor/Custom Hire – 39%
2. Repairs/Maintenance – 20%
3. Crop Inputs – 12%



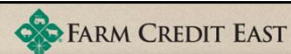


### Operating Cost vs. Price Range per Barrel



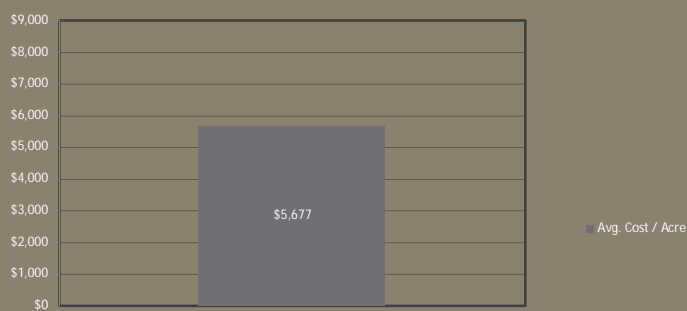
#### KEY ITEMS TO NOTE:

- Operating costs do not include Debt Service Payments, Family Living Expenses or cost to Re-tool/Reinvest in the business



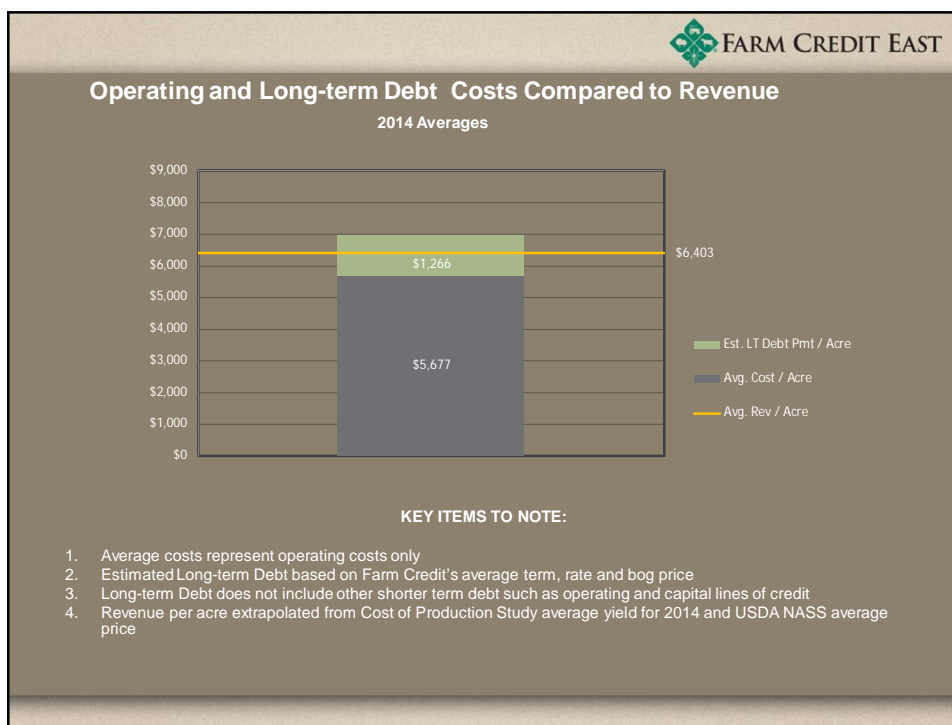
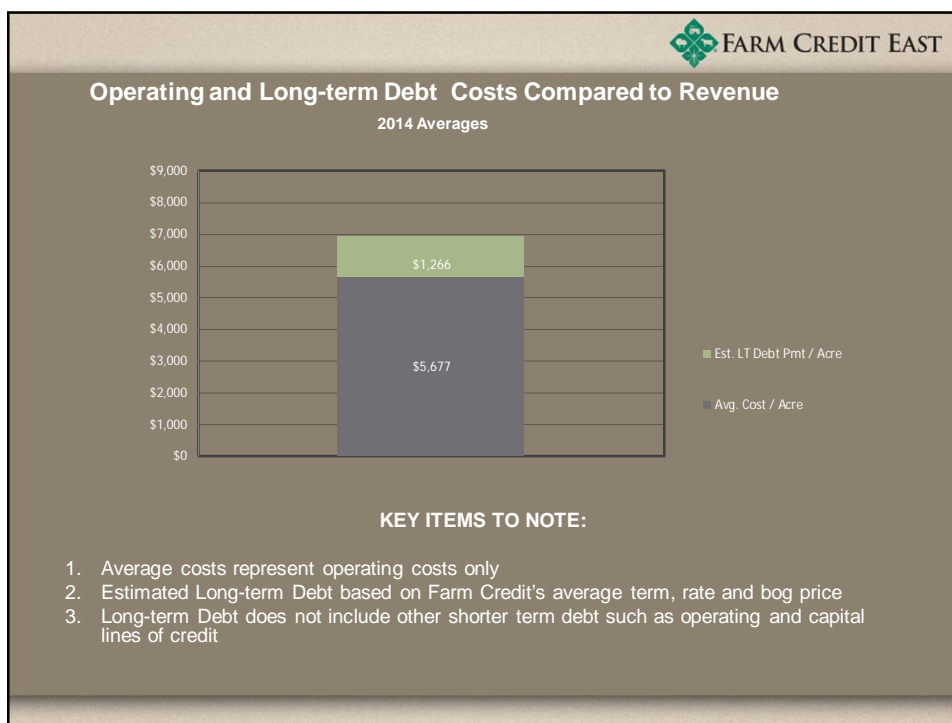
### Operating and Long-term Debt Costs Compared to Revenue

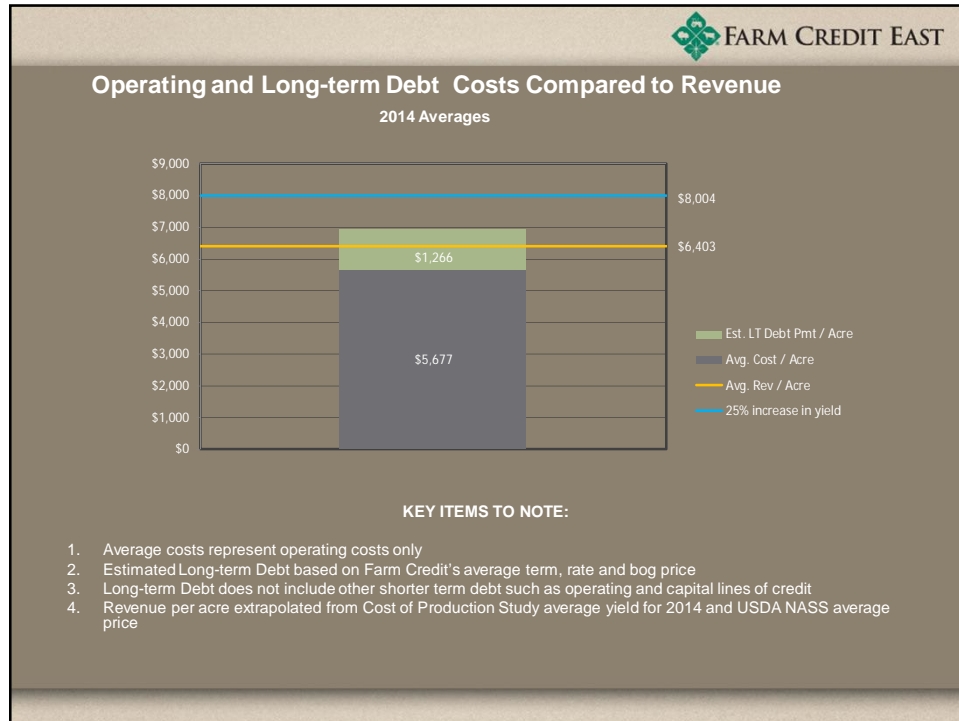
2014 Averages




#### KEY ITEMS TO NOTE:

- Average costs represent operating costs only

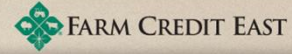




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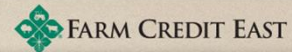
## Financing the Cranberry Industry

- Loan products include:
  - Operating loans to fund cost of production
  - Capital loans
  - Long term loans for farm purchases
- Special programs for young entrants:
  - Young Beginning Small Veteran loan program
  - FarmStart



## Financing the Cranberry Industry

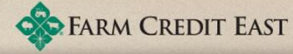
- Financing is based on repayment capacity and ability to absorb times of negative cash flow
  - Price
  - Production
  - Expenses
  - Balance sheet / capital
- Issues occur when:
  - Production is below average
  - Price is near or below cost of production



## Financing the Cranberry Industry

- Previous downturn in 1999/2000
- Similar situation now
- Farm Credit East has helped growers by providing:
  - Loans to fund reinvestment
  - Increased lines of credit
  - Permanent working capital
  - Interest only
  - Loan consolidation
  - Recast of debt





## **Financing the Cranberry Industry**

Farm Credit East is dedicated to working with our clients through good times and bad.

- Loan officers and consulting staff work with each grower and operation individually.
- Goal is to help these operations remain competitive and viable in the long term.